

CORNING COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2012

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**Corning Community School District
Board Of Education and School District Officials
As of Year Ended June 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Lori Harvey	President	2011
Gary Goldsmith	Vice President	2013
Shelly Barton	Board Member	2011
Kenya Haffner	Board Member	2011
Scott Shuey	Board Member	2013
(After September 2011 Election)		
Lori Harvey	President	2015
Gary Goldsmith	Vice President	2013
Scott Shuey	Board Member	2013
Scott Akin	Board Member	2015
Kenya Haffner	Board Member	2015
School District Officials		
William Stone	Superintendent	2012
Jodi Lyddon	District Secretary/Treasurer	2012
Rick Engel	Attorney	Indefinite



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 20, 2012, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra, & Meyer, PC
Certified Public Accountants

November 20, 2012

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues decreased from \$5,178,164 in fiscal 2011 to \$5,086,774 in fiscal 2012, while General Fund expenditures increased from \$5,031,450 in 2011 to \$5,318,504 in fiscal 2012. This resulted in a decrease in the District's General Fund balance from \$1,147,714 in fiscal 2011 to \$1,486,490 in fiscal 2012, a 15.2 percent decrease from the prior year.
- The decrease in General Fund revenues was mostly attributable to our decrease in enrollment, decrease in sharing funds, and loss of ARRA funds. The increase in expenditures was due primarily to addition of Junior Kindergarten teacher and half time elementary guidance counselor, additional part time custodian due to renovation, increase in special education expenditures, transportation costs, health insurance increase, and IPERS increase.
- Overall, the District decreased in net assets in the governmental activities of \$564,000, and decreased in the business-type activities of \$14,000 respectively.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Corning Community School District Annual Financial Report

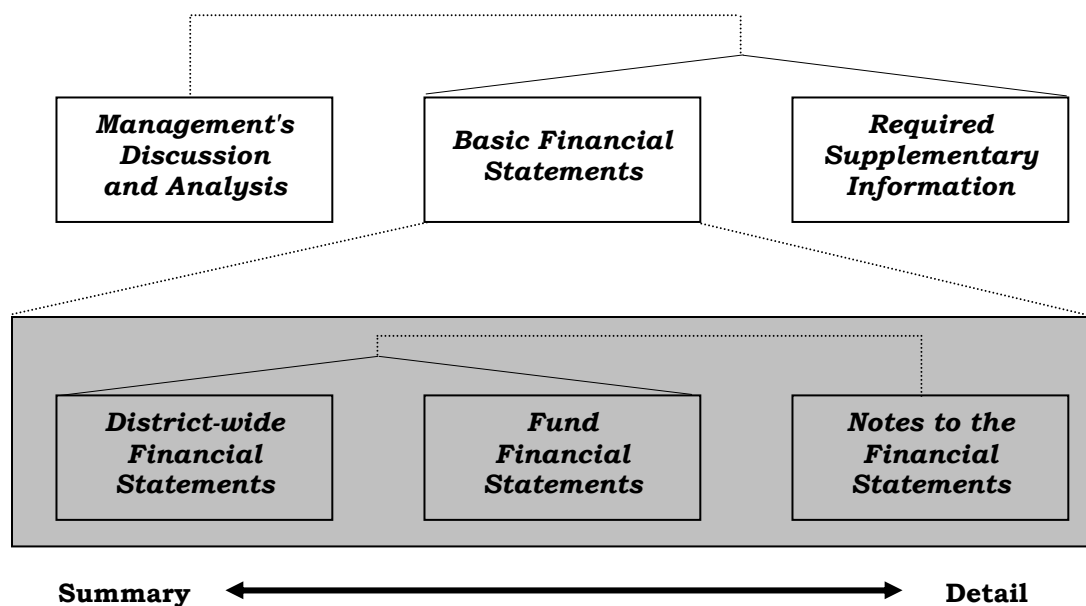


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: · food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	· Statement of net assets · Statement of activities	· Balance sheet · Statement of revenues, expenditures, and changes in fund balances	· Statement of net assets · Statement of revenues, expenses and changes in net assets · Statement of cash flows	· Statement of fiduciary net assets · Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2012**

- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 6,112	8,727	29	50	6,141	8,777	-30.0%
Capital assets	9,715	8,621	58	45	9,773	8,666	12.8%
Total assets	15,827	17,348	87	95	15,914	17,443	-8.8%
Long-term liabilities	7,709	7,879	27	21	7,736	7,900	-2.1%
Other liabilities	3,276	4,063	-	-	3,276	4,063	-19.4%
Total liabilities	10,985	11,942	27	21	11,012	11,963	-7.9%
Net assets:							
Invested in capital assets, net of related debt	2,645	3,071	58	45	2,703	3,116	-13.3%
Restricted	1,455	1,287	-	-	1,455	1,287	13.1%
Unrestricted	742	1,048	2	29	744	1,077	-30.9%
Total net assets	\$ 4,842	5,406	60	74	4,902	5,480	-10.5%

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2012**

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 579	579	68	79	647	658	-1.7%
Operating grants, contributions and restricted interest	849	996	150	147	999	1,143	-12.6%
General revenues:							
Property tax	2,528	2,372	-	-	2,528	2,372	6.6%
Statewide sales, service and use tax	307	283	-	-	307	283	8.5%
Unrestricted state grants	1,882	1,877	-	-	1,882	1,877	0.3%
Unrestricted investment earnings	2	13	-	-	2	13	-84.6%
Other	46	22	-	-	46	22	109.1%
Total revenues	6,193	6,142	218	226	6,411	6,368	0.7%
Program expenses:							
Governmental activities:							
Instruction	3,968	3,644	-	-	3,968	3,644	8.9%
Support services	1,910	1,762	-	-	1,910	1,762	8.4%
Non-instructional programs	-	3	232	226	232	229	1.3%
Other expenses	879	492	-	-	879	492	78.7%
Total expenses	6,757	5,901	232	226	6,989	6,127	14.1%
Change in net assets	\$ (564)	241	(14)	-	(578)	241	(3)

Property tax and unrestricted state grants account for 69 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,193,000 and expenses were \$6,757,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2012	2,011	2011-2012	2012	2,011	2011-2012
Instruction	\$ 3,968	3,644	8.9%	2,718	2,280	19.2%
Support services	1,910	1,762	8.4%	1,911	1,757	8.8%
Non-instructional programs	-	3	-100.0%	-	3	-100.0%
Other expenses	879	492	78.7%	701	286	145.1%
Totals	\$ 6,757	5,901	14.5%	5,330	4,326	23.2%

- The cost financed by users of the District's programs was \$578,929.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$848,962.
- The net cost of governmental activities was financed with \$2,528,482 in property tax, 306,953 in local option sales and service tax, \$1,882,400 in state foundation aid, \$1,630 in interest income, and 15,498 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$218,319 and expenses were \$231,950. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$4,551,282, below last year's ending fund balances of \$7,766,258. The primary reason for the decrease in combined fund balances in fiscal 2012 was due to expenditures for the high school renovation project.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,712,939 to \$1,486,490. The District's decreasing General Fund financial position is the product of many factors. The district increased in general fund expenditures due to additional teachers and staff and increase in transportation costs.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$305,868 in fiscal 2011 to \$406,453 in fiscal 2012.
- The Capital Projects Fund balance decreased from \$2,043,129 in fiscal 2011 to \$417,847 in fiscal 2012.
- The Management Fund balance decreased from \$356,385 in fiscal year 2011 to \$295,214 in fiscal 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$73,884 in fiscal 2011 to \$60,253 in fiscal 2012, representing a decrease of 18%.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 39-41.

Legal Budgetary Highlights

The District's total actual receipts were \$215,179 more than the total budgeted receipts, a variance of 3.4%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the District had invested \$9,772,555, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$353,835.

The original cost of the District's capital assets were \$13,788,885. Governmental funds account for \$13,563,939 with the remainder of \$224,946 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 205	205	-	-	205	205	0.0%
Construction in progress	-	5,117	-	-	-	5,117	-
Buildings	8,299	2,089	-	-	8,299	2,089	297.3%
Improvements other than buildings	428	417	-	-	428	417	2.6%
Furniture and equipment	783	793	58	45	841	838	0.4%
Totals	\$ 9,715	8,621	58	45	9,773	8,666	12.8%

Long-Term Debt

At June 30, 2012, the District had \$5,360,000, in general obligation bonds, \$1,710,000 in revenue bonds and \$188,000 for an early-retirement plan. This represents a decrease of approximately 2.2% percent from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

Corning Community School District
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,380,048	26,392	3,406,440
Receivables:			
Property tax:			
Delinquent	30,961	-	30,961
Succeeding year	2,506,370	-	2,506,370
Income surtax	87,169	-	87,169
Accounts	10,116	-	10,116
Due from other governments	75,015	-	75,015
Inventories	-	2,493	2,493
Bond issuance costs, net of accumulated amortization	22,626	-	22,626
Capital assets, net of accumulated depreciation	9,714,501	58,054	9,772,555
Total assets	15,826,806	86,939	15,913,745
Liabilities			
Accounts payable	165,345	-	165,345
Salaries and benefits payable	456,063	-	456,063
Accrued interest payable	38,050	-	38,050
Deferred revenue:			
Succeeding year property tax	2,506,370	-	2,506,370
Income surtax	87,169	-	87,169
Other	22,779	-	22,779
Long-term liabilities:			
Portion due within one year:			
Compensated absences	56,700	4,050	60,750
General obligation bonds	200,000	-	200,000
Early retirement	76,940	-	76,940
Portion due after one year:			
Net OPEB liability	393,858	22,636	416,494
General obligation bonds	5,160,000	-	5,160,000
Revenue bonds	1,710,000	-	1,710,000
Early retirement	111,927	-	111,927
Total liabilities	10,985,201	26,686	11,011,887
Net assets			
Invested in capital assets, net of related debt	2,644,501	58,054	2,702,555
Restricted for:			
Categorical funding	204,574	-	204,574
Management levy purposes	295,214	-	295,214
Physical plant and equipment levy	406,453	-	406,453
Capital projects	417,847	-	417,847
Student activities	106,107	-	106,107
Debt service	24,852	-	24,852
Unrestricted	742,057	2,199	744,256
Total net assets	\$ 4,841,605	60,253	4,901,858

See notes to financial statements.

Corning Community School District
Statement of Activities
Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 2,579,185	330,235	373,810	(1,875,140)	-	(1,875,140)
Special	842,344	36,271	284,028	(522,045)	-	(522,045)
Other	546,323	212,423	13,528	(320,372)	-	(320,372)
	<u>3,967,852</u>	<u>578,929</u>	<u>671,366</u>	<u>(2,717,557)</u>	<u>-</u>	<u>(2,717,557)</u>
Support Service:						
Student	7,960	-	-	(7,960)	-	(7,960)
Instructional staff	315,584	-	-	(315,584)	-	(315,584)
Administration	665,328	-	-	(665,328)	-	(665,328)
Operating and maintenance of plant	555,260	-	-	(555,260)	-	(555,260)
Transportation	366,317	-	-	(366,317)	-	(366,317)
	<u>1,910,449</u>	<u>-</u>	<u>-</u>	<u>(1,910,449)</u>	<u>-</u>	<u>(1,910,449)</u>
Non-instructional programs	<u>233</u>	<u>-</u>	<u>-</u>	<u>(233)</u>	<u>-</u>	<u>(233)</u>
Other expenditures:						
Facilities acquisition	417,242	-	-	(417,242)	-	(417,242)
Long-term debt interest	284,060	-	-	(284,060)	-	(284,060)
AEA flowthrough	177,596	-	177,596	-	-	-
	<u>878,898</u>	<u>-</u>	<u>177,596</u>	<u>(701,302)</u>	<u>-</u>	<u>(701,302)</u>
Total governmental activities	<u>6,757,432</u>	<u>578,929</u>	<u>848,962</u>	<u>(5,329,541)</u>	<u>-</u>	<u>(5,329,541)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	231,950	68,342	149,951	-	(13,657)	(13,657)
	<u>231,950</u>	<u>68,342</u>	<u>149,951</u>	<u>-</u>	<u>(13,657)</u>	<u>(13,657)</u>
Total primary government	<u>\$ 6,989,382</u>	<u>647,271</u>	<u>998,913</u>	<u>(5,329,541)</u>	<u>(13,657)</u>	<u>(5,343,198)</u>

Corning Community School District
Statement of Activities
Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants, Contributions and			
	Expenses	Charges for Service	Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,989,382	647,271	998,913	(5,329,541)	(13,657)	(5,343,198)
General Revenues:						
Property tax levied for:						
General purposes				2,058,928	-	2,058,928
Debt service				290,158	-	290,158
Capital outlay				179,396	-	179,396
Statewide sales, services and use tax				306,953	-	306,953
Unrestricted state grants				1,882,400	-	1,882,400
Unrestricted investment earnings				1,630	26	1,656
Other				15,498	-	15,498
Contributions not restricted to specific programs				30,611	-	30,611
Total general revenues				4,765,574	26	4,765,600
Change in net assets				(563,967)	(13,631)	(577,598)
Net assets beginning of year				5,405,572	73,884	5,479,456
Net assets end of year				\$ 4,841,605	60,253	4,901,858

See notes to financial statements.

Exhibit C

Corning Community School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Capital Projects	Non-major	Total
Assets and Other Debits					
Cash and pooled investments	\$ 1,920,800	59,512	922,406	477,330	3,380,048
Receivables:					
Property tax:					
Delinquent	24,161	3,390	2,096	1,314	30,961
Succeeding year	1,938,132	278,800	184,439	104,999	2,506,370
Income surtax	87,169	-	-	-	87,169
Accounts	9,501	-	-	615	10,116
Due from other governments	74,940	-	-	75	75,015
Total assets and other debits	\$ 4,054,703	341,702	1,108,941	584,333	6,089,679
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 64,070		100,202	1,073	165,345
Salaries and benefits payable	456,063	-	-	-	456,063
Early retirement payable	-	-	-	76,940	76,940
Deferred revenue:					
Succeeding year property tax	1,938,132	278,800	184,439	104,999	2,506,370
Income surtax	87,169	-	-	-	87,169
Other	22,779	-	-	-	22,779
Total liabilities	2,568,213	278,800	284,641	183,012	3,314,666
Fund balances:					
Restricted for:					
Categorical funding	204,574	-	-	-	204,574
Debt service	-	62,902	150,444	-	213,346
Management levy purposes	-	-	-	295,214	295,214
Student activities	-	-	-	106,107	106,107
School infrastructure	-	-	267,403	-	267,403
Physical plant and equipment	-	-	406,453	-	406,453
Committed for special purposes by the Board	300,000	-	-	-	300,000
Unassigned	981,916	-	-	-	981,916
Total fund balances	1,486,490	62,902	824,300	401,321	2,775,013
Total liabilities and fund balances	\$ 4,054,703	341,702	1,108,941	584,333	6,089,679

See notes to financial statements.

Exhibit D

**Corning Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2012**

Total fund balances of governmental funds (Exhibit C)	\$ 2,775,013
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,714,501
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(38,050)
--	----------

Long-term liabilities, including bonds payable, bond issuance costs, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,609,859)</u>
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Net assets of governmental activities (Exhibit A)	<u>\$ 4,841,605</u>
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See notes to financial statements.

Corning Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 1,957,564	290,158	486,349	101,364	2,835,435
Tuition	264,176	-	-	-	264,176
Other	132,640	26	12,017	211,246	355,929
State sources	2,549,770	145	89	56	2,550,060
Federal sources	182,624	-	-	-	182,624
Total revenues	5,086,774	290,329	498,455	312,666	6,188,224
Expenditures:					
Current:					
Instruction:					
Regular	2,323,439	-	-	100,780	2,424,219
Special	787,879	-	-	-	787,879
Other	343,295	-	-	172,207	515,502
	3,454,613	-	-	272,987	3,727,600
Support services:					
Student	7,158	-	-	-	7,158
Instructional staff	262,940	-	19,845	-	282,785
Administration	611,603	-	-	19,615	631,218
Operation and maintenance of plant	500,827	-	-	24,309	525,136
Transportation	303,767	-	-	24,797	328,564
	1,686,295	-	19,845	68,721	1,774,861
Non-instructional programs	-	-	-	233	233
Other expenditures:					
Facilities acquisition	-	-	1,815,463	-	1,815,463
Long-term debt:					
Principal	-	190,000	-	-	190,000
Interest and fiscal charges	-	283,981	-	-	283,981
AEA flowthrough	177,596	-	-	-	177,596
	177,596	473,981	1,815,463	-	2,467,040
Total expenditures	5,318,504	473,981	1,835,308	341,941	7,969,734
Excess (deficiency) of revenues over (under) expenditures	(231,730)	(183,652)	(1,336,853)	(29,275)	(1,781,510)
Other financing sources (uses):					
Proceeds from sale of assets	5,241	-	-	-	5,241
Operating transfers in	-	187,844	-	-	187,844
Operating transfers out	-	-	(187,844)	-	(187,844)
Total other financing sources	5,241	187,844	(187,844)	-	5,241
Net change in fund balances	(226,489)	4,192	(1,524,697)	(29,275)	(1,776,269)
Fund balances beginning of year	1,712,979	58,710	2,348,997	430,596	4,551,282
Fund balances end of year	\$ 1,486,490	62,902	824,300	401,321	2,775,013

See notes to financial statements.

Corning Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statements of Activities
Year ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit E) **\$ (1,776,269)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,441,005	
Depreciation expense	<u>(347,049)</u>	1,093,956

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Bond principal repaid	190,000	
Amortization of bond issuance costs	<u>(1,385)</u>	188,615

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,306

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	76,940	
Compensated absences	(4,050)	
Other postemployment benefits	<u>(144,465)</u>	(71,575)

Change in net assets of governmental activities (Exhibit B) **\$ (563,967)**

See notes to financial statements.

Exhibit G

**Corning Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2012**

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 26,392
Inventories	2,493
Capital assets, net of accumulated depreciation	<u>58,054</u>
Total assets	<u>86,939</u>
Liabilities	
Compensated absences	4,050
Net OPEB liability	<u>22,636</u>
Total liabilities	<u>26,686</u>
Net Assets	
Invested in capital assets	58,054
Unrestricted	<u>2,199</u>
Total net assets	<u><u>\$ 60,253</u></u>

See notes to financial statements.

Exhibit H

Corning Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2012

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 68,342
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	75,889
Benefits	37,894
Purchased services	1,492
Supplies	109,612
Depreciation	6,786
Other	277
Total operating expenses	231,950
Operating loss	(163,608)
Non-operating revenues:	
State sources	2,495
Federal sources	147,456
Interest income	26
Total non-operating revenues	149,977
Change in net assets	(13,631)
Net assets beginning of year	73,884
Net assets end of year	\$ 60,253

See notes to financial statements.

Exhibit I

Corning Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 68,342
Cash payments to employees for services	(108,346)
Cash payments to suppliers for goods or services	(98,983)
Net cash used by operating activities	<u>(138,987)</u>
Cash flows from non-capital financing activities:	
State grants received	2,495
Federal grants received	133,817
Net cash provided by non-capital financing activities	<u>136,312</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(20,291)</u>
Cash flows from investing activities:	
Interest on investments	<u>26</u>
Net decrease in cash and cash equivalents	(22,940)
Cash and cash equivalents at beginning of year	<u>49,332</u>
Cash and cash equivalents at end of year	<u><u>\$ 26,392</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (163,608)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,639
Depreciation	6,786
(Increase) in inventories	(1,044)
(Decrease) in accounts payable	(197)
Increase in net OPEB liability	5,437
Net cash used by operating activities	<u><u>\$ (138,987)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 26,392
Cash and cash equivalents at year end	<u><u>\$ 26,392</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$13,639 of federal commodities.

See notes to financial statements.

Exhibit J

**Corning Community School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012**

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 8,677
Total assets	<u>8,677</u>
Liabilities	
Accounts payable	8,677
Total liabilities	<u>8,677</u>
Net assets	
Unassigned	<u>\$ -</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in four categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Deferred revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

Okey Vernon National Bank Certificates of Deposit	\$	10,000
State Bank of Brooks Certificate of Deposit		10,000
Bankers Trust		
ISJIT Diversified Fund		150,453
Iowa Schools Joint Investment Trust		
Diversified portfolio (amortized cost)		2,486,755
		<u>\$ 2,657,208</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The negotiable certificates of deposit are stated at fair value.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 187,844</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,689	-	-	204,689
Construction in progress	5,117,254	-	5,117,254	-
Total capital assets not being depreciated	5,321,943	-	5,117,254	204,689
Capital assets being depreciated:				
Buildings	4,026,450	6,416,395	-	10,442,845
Improvements other than buildings	982,780	39,719	-	1,022,499
Furniture and equipment	1,791,761	102,145	-	1,893,906
Total capital assets being depreciated	6,800,991	6,558,259	-	13,359,250
Less accumulated depreciation for:				
Buildings	1,937,500	206,016	-	2,143,516
Improvements other than buildings	566,270	28,375	-	594,645
Furniture and equipment	998,619	112,658	-	1,111,277
Total accumulated depreciation	3,502,389	347,049	-	3,849,438
Total capital assets being depreciated, net	3,298,602	6,211,210	-	9,509,812
Governmental activities capital assets, net	\$ 8,620,545	6,211,210	5,117,254	9,714,501
Business type activities:				
Furniture and equipment	\$ 204,655	20,291	-	224,946
Less accumulated depreciation	160,106	6,786	-	166,892
Business type activities capital assets, net	\$ 44,549	13,505	-	58,054

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 197,415
Special	17,934
Other	24,179
Support services:	
Student	802
Instructional staff	27,818
Administration	18,335
Operation and maintenance	32,777
Transportation	27,789
Total depreciation expense - governmental activities	\$ 347,049
Business type activities:	
Food service operations	\$ 6,786

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,550,000	-	190,000	5,360,000	200,000
Revenue bonds	1,710,000	-	-	1,710,000	-
Early retirement	316,602	-	127,735	188,867	76,940
Compensated absences	52,650	56,700	52,650	56,700	56,700
Net OPEB liability	249,393	144,465	-	393,858	-
Total	\$ 7,878,645	201,165	370,385	7,709,425	333,640
Business type activities:					
Compensated absences	\$ 4,050	4,050	4,050	4,050	4,050
Net OPEB liability	17,199	5,437	-	22,636	-
	\$ 21,249	9,487	4,050	26,686	4,050

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2010					
Year ending June 30,	Interest Rates	Principal	Interest	Total	
2013	4.125%	\$ 200,000	228,300	428,300	
2014	4.125%	210,000	220,050	430,050	
2015	4.125%	215,000	211,388	426,388	
2016	4.125%	225,000	202,519	427,519	
2017	4.125%	240,000	193,237	433,237	
2018	4.125%	250,000	183,338	433,338	
2019	4.125%	260,000	173,025	433,025	
2020	4.125%	270,000	162,300	432,300	
2021	4.125%	285,000	151,162	436,162	
2022	4.125%	295,000	139,406	434,406	
2023	4.125%	310,000	127,238	437,238	
2024	4.250%	325,000	114,450	439,450	
2025	4.250%	340,000	100,637	440,637	
2026	4.250%	355,000	86,188	441,188	
2027	4.500%	370,000	71,100	441,100	
2028	4.500%	385,000	54,450	439,450	
2029	4.500%	405,000	37,125	442,125	
2030	4.500%	420,000	18,900	438,900	
Total		\$ 5,360,000	2,474,813	7,834,813	

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013	1.250%	\$ -	52,194	52,194
2014	1.250%	50,000	52,194	102,194
2015	1.500%	75,000	51,569	126,569
2016	1.750%	100,000	50,444	150,444
2017	2.000%	100,000	48,694	148,694
2018	2.200%	100,000	46,694	146,694
2019	2.400%	100,000	44,494	144,494
2020	2.600%	100,000	42,094	142,094
2021	2.800%	100,000	39,494	139,494
2022	3.000%	100,000	36,694	136,694
2023	3.200%	100,000	33,694	133,694
2024	3.400%	100,000	30,494	130,494
2025	3.600%	105,000	27,094	132,094
2026	3.800%	110,000	23,314	133,314
2027	4.000%	110,000	19,133	129,133
2028	4.050%	115,000	14,733	129,733
2029	4.100%	120,000	10,075	130,075
2030	4.125%	125,000	5,156	130,156
Total		\$ 1,710,000	628,258	2,338,258

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,710,000 of bonds issued in November 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,338,258. For the current year, \$34,796 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$306,953.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- a) \$150,444 of the proceeds from the issuance of the revenue bonds shall be deposited to a revenue account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be distributed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking accounts may be transferred to the project account to be used for any lawful purpose.

The District did comply with all revenue bond provisions during the year ended June 30, 2012. The required reserve account was established by the District.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2012, totaled \$127,735.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010, were \$256,974, \$214,347, and \$208,447, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 192,829
Interest on net OPEB obligation	6,665
Adjustment to annual required contribution	(11,901)
Annual OPEB cost	187,593
Contributions made	(37,691)
Increase in net OPEB obligation	149,902
Net OPEB obligation beginning of year	266,592
Net OPEB obligation end of year	\$ 416,494

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$39,791 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 167,860	22.00%	131,006
June 30, 2011	175,377	22.69%	266,592
June 30, 2012	187,593	20.09%	416,494

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2012, the actuarial accrued liability was \$1,952,466, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,952,466. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,100,000, and the ratio of the UAAL to covered payroll was 63.0%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$177,596 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

Corning Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,455,540	68,368	3,523,908	3,353,707	3,353,707	170,201
State sources	2,550,060	2,495	2,552,555	2,552,657	2,552,657	(102)
Federal sources	182,624	147,456	330,080	285,000	285,000	45,080
Total revenues	6,188,224	218,319	6,406,543	6,191,364	6,191,364	215,179
Expenditures:						
Instruction	3,727,600	-	3,727,600	4,322,090	4,322,090	594,490
Support services	1,774,861	-	1,774,861	1,755,000	2,000,000	225,139
Non-instructional programs	233	231,950	232,183	300,976	300,976	68,793
Other expenditures	2,467,040	-	2,467,040	2,991,854	3,250,000	782,960
Total expenditures	7,969,734	231,950	8,201,684	9,369,920	9,873,066	1,671,382
Excess (deficiency) of revenues over (under) expenditures	(1,781,510)	(13,631)	(1,795,141)	(3,178,556)	(3,681,702)	1,886,561
Other financing sources, net	5,241	-	5,241	-	-	5,241
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,776,269)	(13,631)	(1,789,900)	(3,178,556)	(3,681,702)	1,891,802
Balances beginning of year	4,551,282	73,884	4,625,166	3,178,556	3,178,556	1,446,610
Balances end of year	\$ 2,775,013	60,253	2,835,266	-	(503,146)	3,338,412

See accompanying independent auditor's report

Corning Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Corning Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	1,893,146	1,893,146	0.0%	3,100,000	61.1%
2011	July 1, 2009	-	1,984,148	1,984,148	0.0%	3,100,000	64.0%
2012	July 1, 2009	-	1,952,466	1,952,466	0.0%	3,100,000	63.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Corning Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 370,840	106,490	477,330
Receivables:			
Property tax:			
Delinquent	1,314	-	1,314
Succeeding year	104,999	-	104,999
Accounts	-	615	615
Due from other governments	-	75	75
Total assets	\$ 477,153	107,180	584,333
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,073	1,073
Early retirement payable	76,940	-	76,940
Deferred revenue:			
Succeeding year property tax	104,999	-	104,999
Total liabilities	181,939	1,073	183,012
Fund balances:			
Restricted for:			
Management levy purposes	295,214	-	295,214
Student activities	-	106,107	106,107
Total fund balances	295,214	106,107	401,321
Total liabilities and fund balances	\$ 477,153	107,180	584,333

See accompanying independent auditor's report.

Corning Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 101,364	-	101,364
Other	7,143	204,103	211,246
State sources	56	-	56
Total revenues	108,563	204,103	312,666
Expenditures:			
Current:			
Instruction:			
Regular	100,780	-	100,780
Other	-	172,207	172,207
Support Services:			
Administration	19,615	-	19,615
Operation and maintenance of plant	24,309	-	24,309
Transportation	24,797	-	24,797
Non-instructional program	233	-	233
Total expenditures	169,734	172,207	341,941
Excess of revenues over expenditures	(61,171)	31,896	(29,275)
Fund balances beginning of year	356,385	74,211	430,596
Fund balances end of year	\$ 295,214	106,107	401,321

See accompanying independent auditor's report.

Schedule 3

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 531	159	-	1,600	2,290
High School Drama	5,964	463	325	-	6,102
Musical/Madrigal	2,173	2,021	2,294	85	1,985
Cross Country	168	1,335	1,386	444	561
Tennis	640	220	200	686	1,346
Golf	288	200	479	565	574
Boys Basketball	322	1,170	1,377	121	236
Football	2,878	4,873	4,512	444	3,683
Baseball	497	504	423	121	699
Boys Track	454	-	79	417	792
Wrestling	1,195	3,719	3,801	-	1,113
Girls Basketball	1,761	9,631	3,572	121	7,941
Volleyball	2,189	1,577	1,871	444	2,339
Cheerleaders	1,314	1,460	1,123	121	1,772
Softball	225	958	902	565	846
Girls Track	729	1,033	1,202	417	977
Athletics-General	7,581	50,933	43,942	-	14,572
FBLA	-	23,533	22,045	357	1,845
K-6 Book Fair	4,378	5,988	6,362	-	4,004
FFA	1,727	12,415	8,558	(29)	5,555
FCCLA	65	9,369	8,174	107	1,367
K-6 Special Needs	397	-	209	-	188
Foreign Language Club	34	247	258	-	23
Concessions	232	24,848	15,779	(9,251)	50
Senior Class	4,273	140	2,078	(193)	2,142
Junior Class	169	5,066	7,093	1,914	56
Sophomore Class	41	70	55	(33)	23
Freshman Class	-	45	22	(23)	-
Junior High Student Council	362	940	2,103	801	-
Student Senate	1,087	743	1,003	-	827
Touch	379	-	-	-	379
Y-Teens	2,300	4,047	3,693	50	2,704
Yearbook	5,796	7,958	7,529	1,000	7,225
Elementary Yearbook	357	1,050	1,143	-	264
Preschool Fundraiser	3,095	-	-	-	3,095
School Pictures	894	401	-	-	1,295
High School Pop Fund	1,161	2,607	1,877	(464)	1,427
K-6 Technology	1,645	10,000	5,028	-	6,617
K-6 Student Council	335	236	158	-	413
Morris DC Trip	337	-	-	(337)	-

Schedule 3

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Friends Club	4	-	-	-	4
Red Raider Jean Days	3	1,220	904	-	319
FCA	358	200	-	-	558
K-6 Teacher's Lounge	210	94	112	-	192
High School Horticulture	5,916	36	-	-	5,952
K-6 Box Top	1,794	1,438	1,302	(50)	1,880
3rd Grade Landscape	1,749	200	153	-	1,796
John Harris Tourney	6,204	10,956	9,081	-	8,079
Total	\$ 74,211	204,103	172,207	-	106,107

See accompanying independent auditor's report.

Corning Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Assets				
Cash and pooled investments	\$ 518,049	404,357	-	922,406
Receivables:				
Property tax:				
Delinquent	-	2,096	-	2,096
Succeeding year	-	184,439	-	184,439
Total assets	\$ 518,049	590,892	-	1,108,941
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 100,202	-	-	100,202
Deferred revenue:				
Succeeding year property tax	-	184,439	-	184,439
Total liabilities	100,202	184,439	-	284,641
Fund balances:				
Restricted for:				
Debt service	150,444	-	-	150,444
School infrastructure	267,403	-	-	267,403
Physical plant and equipment	-	406,453	-	406,453
Total fund balances	417,847	406,453	-	824,300
Total liabilities and fund balances	\$ 518,049	590,892	-	1,108,941

See accompanying independent auditor's report.

Schedule 5

Corning Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 306,953	179,396	-	486,349
Other	617	76	11,324	12,017
State sources	-	89	-	89
Total revenues	307,570	179,561	11,324	498,455
Expenditures:				
Current:				
Support Services:				
Instructional staff	-	19,845	-	19,845
Other expenditures				
Facilities acquisition	1,570,289	59,131	186,043	1,815,463
Total expenditures	1,570,289	78,976	186,043	1,835,308
Excess (deficiency) of revenues over (under) expenditures	(1,262,719)	100,585	(174,719)	(1,162,134)
Other financing sources (uses):				
Operating transfers in (out)	(187,844)	-	-	(187,844)
Total other financing sources (uses)	(187,844)	-	-	(187,844)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,450,563)	100,585	(174,719)	(1,524,697)
Fund balances beginning of year	1,868,410	305,868	174,719	2,348,997
Fund balances end of year	\$ 417,847	406,453	-	824,300

See accompanying independent auditor's report.

Schedule 6

Corning Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 13,258	43,267	47,848	8,677
Total assets	\$ 13,258	43,267	47,848	8,677
Liabilities				
Accounts payable	\$ 13,258	43,267	47,848	8,677
Total liabilities	\$ 13,258	43,267	47,848	8,677

See accompanying independent auditor's report.

Schedule 7

Corning Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis				
	2012	2011	2010	2009	2008
Revenues:					
Local sources:					
Local tax	\$ 2,835,435.00	2,654,525	2,415,233	2,622,502	2,406,437
Tuition	264,176.00	275,993	240,356	256,371	285,683
Other	355,929.00	336,638	392,044	256,827	733,069
State sources	2,550,060.00	2,528,419	2,303,647	2,739,632	2,582,283
Federal sources	182,624.00	346,438	551,941	256,732	215,652
Total	<u>\$ 6,188,224.00</u>	<u>6,142,013</u>	<u>5,903,221</u>	<u>6,132,064</u>	<u>6,223,124</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 2,424,219.00	2,293,410	2,500,548	2,371,763	2,237,426
Special instruction	787,879.00	739,414	694,027	837,286	780,247
Other instruction	515,502.00	509,642	556,040	525,077	558,745
Support services:					
Student services	7,158.00	6,649	12,425	30,383	31,373
Instructional staff services	282,785.00	248,886	249,730	236,686	255,243
Administration services	631,218.00	636,018	580,258	564,829	621,934
Operation and maintenance of plant services	525,136.00	487,586	501,729	514,143	451,615
Transportation services	328,564.00	320,957	232,787	805,986	500,054
Non-instructional programs	233.00	3,283	3,400	5,042	6,567
Other expenditures:					
Facilities acquisition	1,815,463.00	5,126,947	879,483	75,599	167,595
Long-term debt:					
Principal	190,000.00	180,000	215,000	205,000	195,000
Interest and other charges	283,981.00	283,708	11,813	21,948	31,990
AEA flowthrough	177,596.00	205,554	204,436	190,542	181,827
Total	<u>\$ 7,969,734.00</u>	<u>11,042,054</u>	<u>6,641,676</u>	<u>6,384,284</u>	<u>6,019,616</u>

See notes to financial statements.

Schedule 7

2007	2006	2005	2004	2003
2,402,720	2,438,779	2,096,295	1,965,807	1,818,126
296,029	253,543	260,314	231,150	196,299
459,644	419,668	264,776	182,383	205,293
2,440,835	2,429,982	2,532,028	2,573,835	2,507,573
253,374	327,928	209,707	322,577	313,096
5,852,602	5,869,900	5,363,120	5,275,752	5,040,387

2,173,171	2,070,237	1,606,933	1,733,517	1,900,787
726,264	814,089	639,566	811,822	861,851
558,792	360,117	743,048	487,984	332,406
35,368	69,169	141,540	234,329	128,292
224,743	178,175	114,545	31,178	67,828
613,744	541,244	513,085	477,168	500,588
379,297	434,030	343,602	331,511	328,200
274,681	327,577	263,725	228,499	255,123
8,121	267	6,947	12,393	12,393
212,590	263,452	230,877	100,177	150,873
185,000	175,000	165,000	155,000	150,000
41,701	50,890	59,553	67,690	75,085
178,772	173,627	175,232	179,413	185,506
5,612,244	5,457,874	5,003,653	4,850,681	4,948,932

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Corning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Corning Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Corning Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Corning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Corning Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Van Maanen, Sietstra & Meyer, PC". The script is cursive and fluid.

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 20, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters noted.

Other Findings Related to Required Statutory Reporting

1. Certified Budget – Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions were noted between the District and District officials or employees.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
7. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments – The District's policy for deposits and investments is in compliance with the Code of Iowa, with the following exception:

Finding: The District held deposits and investments at one institution in excess of the maximum amount authorized by the Board of Education.

Recommendation: The District should review its procedures to ensure it is in compliance with all board policies.

Corning Community School District
Schedule of Findings
Year ended June 30, 2012

Response: The District will develop procedures to ensure that deposits and investments made with qualified depositories are within limits authorized by the Board.

Conclusion: Response accepted.

10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,868,410
Revenues/transfers in:		
Sales tax revenues	\$ 306,953	
Other local revenues	617	307,570
		<u>2,175,980</u>
Expenditures/transfers out:		
School infrastructure construction	1,570,289	
Transfers to other funds:		
Debt service funds	187,844	1,758,133
		<u>1,758,133</u>
Ending balance		<u>\$ 417,847</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.